



27 August 2015

Market Announcements Office
ASX Limited

MYOB 2015 HALF YEAR FINANCIAL REPORT

Attached is the MYOB 2015 half year report for the six months ended 30 June 2015. The Appendix 4D incorporates the 2015 half year financial report, including:

1. the Director's Report;
2. the Financial Statements; and
3. the Auditor's Review Report

An investor presentation and market release will be lodged separately.

Ian Boylan
Company Secretary
MYOB Group Limited

Supporting Resources

For more information on MYOB, please visit:

Investor Centre: <http://investors.myob.com.au>

Website: <http://myob.com.au>

Enquiries:

Sara Musgrave
Head of Investor Relations
T: +61 2 9089 9237
M: +61 428 669 456
sara.musgrave@myob.com



MYOB GROUP LIMITED ABN 61 153 094 958

APPENDIX 4D – HALF YEAR REPORT GIVEN TO ASX UNDER LISTING RULE 4.2A.3 FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2015

| Item | Contents |
|------|----------------------------------------|
| 1 | Details of the reporting period |
| 2 | Results for announcement to the market |
| 3 | Net tangible assets per security |
| 4 | Dividends and distributions |
| 5 | Other information |

1. DETAILS OF THE REPORTING PERIOD

Reporting period: 6 month period ended 30 June 2015

Previous corresponding period: 6 month period ended 30 June 2014

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | Up/down | % change | 2015 \$'000 | 2014 \$'000 |
|-----------------------------------------------------------------------------------|---------|----------|----------------|----------------|
| Revenue from ordinary activities | Up | 14.2% | 160,829 | 140,867 |
| (Loss) from ordinary activities after tax for the period, attributable to members | Up | 122.9% | (65,043) | (29,182) |
| Net (Loss) for the period attributable to members | Up | 122.9% | (65,043) | (29,182) |

The company has not declared, and does not propose to pay, any dividends for the period ended 30 June 2015.

Brief explanation of any of the figures reported above necessary to enable the figures to be understood: Refer to the Directors' Report within the attached Interim Financial Report.

3. NET TANGIBLE ASSETS PER SECURITY

| | 6 month period ended 30 June 2015 | 6 month period ended 30 June 2014 | % change |
|----------------------------------|-----------------------------------------|-----------------------------------------|----------|
| Net tangible assets per security | (0.68) | (3.13) | (78.4%) |

Net tangible assets are defined as the net assets of MYOB Group Limited less intangible assets. A large proportion of the Company's assets are intangible in nature, predominantly being goodwill. These assets are excluded from the calculation of net tangible assets per security, which results in the negative outcome shown above.

On 7 May 2015, at the completion of the Initial Public Offering of the company, 230 million additional shares were issued bringing the total number of issued shares to 584 million.

4. DIVIDENDS AND DISTRIBUTIONS

The company did not pay any distributions during the 6 month period ended 30 June 2015. The company has not declared any distributions for the 6 month period ended 30 June 2015.

5. OTHER INFORMATION

Details of entities over which control has been gained or lost during the period:

On 31 May 2015 MYOB Finance NZ Limited (a subsidiary of MYOB Group Limited) acquired 100% of the shares in ACE Payroll Plus Limited for AUD \$13.14 million (NZD\$14 million). Refer to the attached Interim Financial Report, note 8.

Details of any dividend or distribution reinvestment plans in operation: N/A

Any other information required pursuant to ASX Listing Rule 4.2A not contained in this Appendix 4D is found in the attached Interim Financial Report.



MYOB Group Limited

ACN 153 094 958

Interim Financial Report

FOR THE HALF-YEAR ENDED 30 JUNE 2015

Contents

| | Page |
|------------------------------------------------------------|------|
| Directors' report | 1 |
| Auditor's independence declaration | 4 |
| Consolidated financial statements | |
| Consolidated income statement | 6 |
| Consolidated statement of comprehensive income | 7 |
| Consolidated balance sheet | 8 |
| Consolidated statement of changes in equity | 9 |
| Consolidated statement of cash flows | 10 |
| Notes to the consolidated financial statements: | |
| 1 Corporate information | 11 |
| 2 Preparation of interim financial report | 11 |
| 3 Comparative Information | 11 |
| 4 Critical accounting estimates and judgements | 12 |
| 4.1 Estimated impairment of goodwill | 12 |
| 4.2 Recovery of deferred tax assets | 12 |
| 4.3 Useful life of intangible assets | 12 |
| 5 Segment information | 13 |
| 6 Interest bearing loans and borrowings | 15 |
| 7 Issued capital | 16 |
| 8 Business combination | 17 |
| 9 Contingent liabilities | 18 |
| 10 Events after the balance sheet date | 18 |
| Independent auditor's review report | 19 |

DIRECTORS' REPORT

The directors present their report on MYOB Group Limited and the entities it controlled for the half-year ended 30 June 2015.

DIRECTORS

The following persons were directors of MYOB Group Limited during the half-year and up to the date of this report:

Craig Boyce - Non-Executive Director
Paul Edgerley - Non-Executive Director
Tim Reed - Executive Director, Chief Executive Officer

The following persons were appointed as directors of MYOB Group Limited during the half-year:

Justin Milne - Independent Non-Executive Director, Chairman (appointed 30 March 2015)
Andrew Stevens - Independent Non-Executive Director (appointed 30 March 2015)
Anne Ward - Independent Non-Executive Director (appointed 30 March 2015)

The following persons resigned as directors of MYOB Group Limited during the half-year:

Neil Kalvelage (resigned on 13 March 2015)
Richard Moore (resigned on 13 March 2015)

PRINCIPAL ACTIVITIES

The principal activities of MYOB Group Limited during the period were the development and publishing of software and the provision of services for small and medium enterprises, including accountants in public practice.

MYOB Group Limited became a listed public company on the 7 May 2015.

DIVIDENDS

There were no dividends paid to members during the half-year.

REVIEW OF OPERATIONS

For the half-year ended 30 June 2015 MYOB Group Limited reported statutory operating revenue from continuing operations of \$160.8 million (2014 half-year period: \$140.9 million). MYOB Group Limited's statutory profit from continuing operations before income tax, finance expenses, depreciation and amortisation was \$47.5 million (2014 half-year period: \$55.4 million) and its statutory net loss after tax was \$65.0 million (2014 half-year period: \$29.2 million).

These statutory results include significant expenses relating to the ASX listing and the changes to MYOB's capital and funding structure. In the ASX listing prospectus, MYOB Group Limited reported financial results and forecasts on a pro forma basis. Pro forma adjustments reflect the impact of the operating and capital structure in place following completion of the IPO as if it was in place as at 1 January 2014. In addition, certain other adjustments are made to pro forma figures to reflect the impact of historical acquisitions and divestments, to eliminate non-recurring items and to reflect standalone public company costs.

For the half-year ended 30 June 2015 MYOB Group Limited reported pro forma operating revenue from continuing operations of \$160.7 million (2014 half-year period: \$148.8 million). MYOB Group Limited's pro forma profit from continuing operations before income tax, finance expenses, depreciation and amortisation was \$71.7 million (2014 half-year period: \$63.1 million) and its pro forma net profit after tax was \$19.8 million (2014 half-year period: \$14.2 million).

LISTING

MYOB Group Limited listed on the Australian Securities Exchange (ASX) on 7 May 2015. A diversified group of retail and institutional shareholders, both domestic and international, acquired stock in MYOB Group Limited at the listing.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 20 February 2015, the board of MYOB Group Limited approved a selective buyback of Redeemable Preference Shares (RPS) to the value of \$203.0 million out of refinancing completed during the 2014 year.

DIRECTORS' REPORT

Based on that approval the year end December 2014 accounts reflected a current redeemable preference shares advance receivable and an offsetting current redeemable preference shares liability.

On 12 March 2015, MYOB Group Limited signed an agreement stating that the Company must, and is entitled to, redeem the Redeemable Loan Notes by paying to the Noteholders an aggregate amount of \$292.5 million (the "Redemption Price") within 3 business days of the date of completion of an initial public offering of its shares (or similar equity securities) and listing on the Australian Securities Exchange of any member of the Group (the "Redemption Date"), such amount to be paid to the Noteholders pari passu and rateably according to the number of Redeemed Notes held by each Noteholder. This agreement was reliant on an initial public offering occurring prior to 30 June 2015. The initial public offering on 7 May 2015 was therefore a triggering event.

On 15 April 2015, MYOB Acquisition Pty Limited (a subsidiary of MYOB Group Limited) invested \$6 million in OnDeck Capital Australia Pty Ltd.

On 7 May 2015, the Group refinanced its corporate debt. The Group's refinanced facility is composed of a non-amortising term loan facility and a multi-currency revolving loan facility that both mature on 7 May 2019.

On 7 May 2015, upon completion of the Group's IPO, Management A Shares were consolidated and a portion were converted to ordinary shares and performance shares under a Performance Share scheme. The performance shares do not carry any voting rights or entitle the holder to any dividends or any returns, on a reduction of capital or upon winding up of the company.

On 31 May 2015, MYOB Finance NZ Limited, a wholly owned subsidiary of the Group, acquired 100% of the issued shares in ACE Payroll Plus Limited (APP), a New Zealand based SME payroll solution provider, for AUD \$13.1 million (NZD \$14.0 million).

On 2 June 2015, MYOB Acquisition Pty Limited (a subsidiary of MYOB Group Limited) invested an additional \$2 million in Kounta Holdings Pty Ltd. This increased the total investment to \$4.3 million.

There were no other significant changes in the state of affairs of MYOB Group Limited during the half-year ended 30 June 2015.

MATTERS SUBSEQUENT TO THE END OF THE PERIOD

There have been no significant events since the balance sheet date.

DIRECTORS' REPORT

AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

TAX CONSOLIDATION

MYOB Group Limited and its 100% owned Australian subsidiaries are a tax consolidated group.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors:



Andrew Stevens
Director
MYOB Group Limited



Craig Boyce
Director
MYOB Group Limited

Dated at Melbourne this 26th day of August 2015



Auditor's Independence Declaration

As lead auditor for the review of MYOB Group Limited for the half-year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of MYOB Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Chris Dodd'.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
26 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of MYOB Group Limited, we state that:

1. In the opinion of the directors:

- (a) The financial statements and notes of the Company's and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2015 and of their performance for the period ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Andrew Stevens
Director
MYOB Group Limited



Craig Boyce
Director
MYOB Group Limited

Melbourne, 26th of August 2015

Consolidated income statement

FOR THE HALF-YEAR ENDED 30 JUNE 2015

| | Half-year | |
|----------------------------------------------------------------------------------------------------|------------------------|------------------------|
| | 2015 \$'000 | 2014 \$'000 |
| Revenue from continuing operations | | |
| Revenue from sale of goods and services | 160,707 | 139,524 |
| Interest income | 122 | 1,343 |
| | <u>160,829</u> | <u>140,867</u> |
| Expenses | | |
| Staff related | (58,521) | (43,166) |
| General office / administration | (14,199) | (12,664) |
| Direct materials | (5,636) | (5,092) |
| Royalties | (1,243) | (1,298) |
| Reseller commissions | (4,282) | (3,708) |
| Marketing | (4,390) | (3,757) |
| Offer related adjustments and other transaction costs | (19,978) | - |
| Projects / other expenses | <u>(5,083)</u> | <u>(15,756)</u> |
| Earnings before interest expense, tax, depreciation and amortisation | 47,497 | 55,425 |
| Depreciation and amortisation | (34,269) | (34,730) |
| Finance cost - Secured bank loans / Subordinated Notes | (34,433) | (29,701) |
| Finance cost - MRPS / Loan Notes | <u>(77,166)</u> | <u>(32,988)</u> |
| (Loss) from operations before income tax | (98,371) | (41,994) |
| Income tax benefit | 33,328 | 12,812 |
| (Loss) from operations after income tax | <u>(65,043)</u> | <u>(29,182)</u> |
| (Loss) for the period is attributable to: | | |
| Owners of MYOB Group Limited | <u><u>(65,043)</u></u> | <u><u>(29,182)</u></u> |
| Earnings per share for (loss) attributable to ordinary equity holders of MYOB Group Limited | <u>\$</u> | <u>\$</u> |
| Basic earnings per share | (0.15) | - |
| Diluted earnings per share | (0.15) | - |

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

FOR THE HALF-YEAR ENDED 30 JUNE 2015

| | Half-year | |
|-----------------------------------------------------------------------|-----------------|-----------------|
| | 2015 \$'000 | 2014 \$'000 |
| (Loss) from operations after income tax | (65,043) | (29,182) |
| Other comprehensive income / (loss) | | |
| Foreign currency translation | (3,345) | 565 |
| Change in fair value of cash flow hedges | 197 | 1,410 |
| Other comprehensive income / (loss) for the period, net of tax | (3,148) | 1,975 |
| Total comprehensive (loss) for the period | (68,191) | (27,207) |
| Total comprehensive (loss) for the period is attributable to: | | |
| Owners of MYOB Group Limited | (68,191) | (27,207) |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

AS AT 30 JUNE 2015

| | Notes | 2015 June \$'000 | 2014 December \$'000 |
|---------------------------------------|-------|------------------------|----------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 4,011 | 5,044 |
| Trade and other receivables | | 14,255 | 12,143 |
| Inventories | | 674 | 842 |
| Other current assets | | 29,275 | 213,533 |
| Current tax receivables | | 3,611 | 2,175 |
| Total current assets | | 51,826 | 233,737 |
| Non-current Assets | | | |
| Investments | | 18,525 | 10,525 |
| Property, plant and equipment | | 14,487 | 15,662 |
| Intangible assets | | 1,222,557 | 1,239,248 |
| Deferred tax assets | | 65,865 | 31,590 |
| Total non-current assets | | 1,321,434 | 1,297,025 |
| TOTAL ASSETS | | 1,373,260 | 1,530,762 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 36,450 | 23,843 |
| Current tax payable | | 3,835 | - |
| Interest-bearing loans and borrowings | | - | 223,937 |
| Unearned revenue | | 45,303 | 40,125 |
| Provisions | | 11,076 | 9,311 |
| Derivative financial instruments | | 478 | 762 |
| Total current liabilities | | 97,142 | 297,978 |
| Non-current Liabilities | | | |
| Interest-bearing loans and borrowings | 6 | 443,487 | 1,130,996 |
| Provisions | | 4,812 | 4,716 |
| Total non-current liabilities | | 448,299 | 1,135,712 |
| TOTAL LIABILITIES | | 545,441 | 1,433,690 |
| NET ASSETS | | 827,819 | 97,072 |
| EQUITY | | | |
| Issued capital | 7 | 1,128,837 | 330,928 |
| Retained earnings | | (308,417) | (243,374) |
| Reserves | | 7,399 | 9,518 |
| TOTAL EQUITY | | 827,819 | 97,072 |

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

FOR THE HALF-YEAR ENDED 30 JUNE 2015

| | Issued capital \$'000 | Foreign currency translation reserve \$'000 | Cash flow hedge reserve \$'000 | Management shares reserve \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--------------------------------------------------------------|--------------------------|---------------------------------------------------------|--------------------------------------|----------------------------------------|--------------------------------|------------------------|
| At 1 January 2015 | 330,928 | 6,906 | (532) | 3,144 | (243,374) | 97,072 |
| (Loss) for the period | - | - | - | - | (65,043) | (65,043) |
| Other comprehensive income / (loss) (net of tax) | - | (3,345) | 197 | - | - | (3,148) |
| Total comprehensive income / (loss) for the period | - | (3,345) | 197 | - | (65,043) | (68,191) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Management share scheme | - | - | - | 1,029 | - | 1,029 |
| Issue of share capital | 828,205 | - | - | - | - | 828,205 |
| IPO listing costs | (30,296) | - | - | - | - | (30,296) |
| At 30 June 2015 | 1,128,837 | 3,561 | (335) | 4,173 | (308,417) | 827,819 |
| At 1 January 2014 | 354,072 | 7,390 | (1,989) | 2,072 | (171,799) | 189,746 |
| (Loss) for the period | - | - | - | - | (29,182) | (29,182) |
| Other comprehensive income (net of tax) | - | 565 | 1,410 | - | - | 1,975 |
| Total comprehensive income / (loss) for the period | - | 565 | 1,410 | - | (29,182) | (27,207) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Management share scheme | - | - | - | 623 | - | 623 |
| Return of capital | (23,843) | - | - | - | - | (23,843) |
| Issue of share capital | 822 | - | - | - | - | 822 |
| Shares bought-back | (123) | - | - | - | - | (123) |
| At 30 June 2014 | 330,928 | 7,955 | (579) | 2,695 | (200,981) | 140,018 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

FOR THE HALF-YEAR ENDED 30 JUNE 2015

| | Notes | 2015 June \$'000 | 2014 June \$'000 |
|-------------------------------------------------------------|-------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 179,865 | 153,012 |
| Payments to suppliers and employees | | (106,012) | (79,641) |
| Finance cost - Secured bank loans / Subordinated Notes | | (22,444) | (25,482) |
| Income tax (paid) | | - | (2,128) |
| Interest received | | 122 | 633 |
| Projects / other expenses | | (24,140) | (15,417) |
| Net cash flows from operating activities | | 27,391 | 30,977 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (1,020) | (2,238) |
| Purchase of IP | | (1,100) | (1,423) |
| Capitalised internally generated software costs | | (2,760) | (4,409) |
| Capitalised product development | | (3,977) | (3,341) |
| Payments for investments | | (8,000) | (2,315) |
| Final payment - BankLink Acquisition | | - | (522) |
| Payment for acquisition of subsidiary, net of cash acquired | 8 | (12,321) | - |
| Net cash flows used in investing activities | | (29,178) | (14,248) |
| Cash flows from financing activities | | | |
| Shares issued | | 828,021 | 1,136 |
| Repayment of borrowings | | (1,035,176) | (25,703) |
| Interest paid on MRPS / Loan Notes | | (193,413) | - |
| Proceeds from borrowings | | 435,485 | - |
| Capital return | | (1,404) | (1,093) |
| Debt refinancing costs | | (2,136) | - |
| IPO Listing costs | | (30,296) | - |
| Net cash flows from financing activities | | 1,081 | (25,660) |
| Net decrease in cash and cash equivalents | | (706) | (8,931) |
| Net foreign exchange differences | | (327) | 254 |
| Cash and cash equivalents at beginning of period | | 5,044 | 52,478 |
| Cash and cash equivalents at end of period | | 4,011 | 43,801 |

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 30 JUNE 2015

1 CORPORATE INFORMATION

The consolidated financial statements and notes represent those of MYOB Group Limited and its consolidated entities ("the Group"). The financial statements were authorised for issue on 26 August 2015 by the directors of the company.

The directors have the power to amend and reissue the financial statements.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Registered Office: Level 3, 235 Springvale Road, Glen Waverley, Victoria 3150.

The amounts represented in the financial statements have been rounded to the nearest thousand dollars.

2 PREPARATION OF INTERIM FINANCIAL REPORT

This consolidated interim financial report for the half-year reporting period ended 30 June 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The entity is a for-profit entity for the purpose of preparing the financial statements.

These financial statements have been prepared on an accruals basis and are based on historical costs, as modified where applicable by the measurement at fair value of derivatives. Notwithstanding the deficiency in net current assets in the Group, the directors have determined the entity can continue as a going concern as the consolidated future cash flows will be sufficient to cover the shortfall, along with active management of costs and use of facilities over the next 12 months.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2014.

The accounting policies adopted are consistent with those of the previous financial year, except as set out in section below.

(a) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated as net profit / (loss) attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

(ii) Diluted earnings per share

Diluted earnings per share is calculated as net profit / (loss) attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effects of dividends and interests associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

(b) Share-based payments

The existing Management A Shares were converted to 3.5 million of ordinary MYOB shares and 21.3 million performance shares under a Performance Share scheme. Certain percentages of Performance shares will convert into shares on 30 September 2016 and 30 September 2017 if share price hurdles are met.

Given the Performance Share scheme has been designed as a replacement to the existing scheme, it has been accounted for as a modification of a share based payment under AASB 2 Share Based Payments, and therefore the original expense continues to be expensed over the original vesting period, adjusted for any accelerated payments.

3 COMPARATIVE INFORMATION

The Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows provide comparative information for the half-year ended 30 June 2015.

Where necessary, the comparatives have been reclassified to be consistent with the current year disclosures.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 30 JUNE 2015

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Estimated impairment of goodwill

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

4.2 Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses as management considers that it is probable that sufficient taxable temporary differences are expected to reverse in a future period or future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

4.3 Useful life of intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Brand names that have indefinite lives are not amortised. Management use judgement in determining whether an individual brand will have a finite life or an indefinite life. In making this determination, management make use of information on the long-term strategy for the brand, the level of growth or decline of the markets that the brand operates in, and the history of the market and the brand's position within that market. If a brand is assessed to have a finite life, management will use judgement in determining the useful life of the brand and will consider the period over which expected cash flows will continue to be derived in making that decision.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2015

5 SEGMENT INFORMATION

5.1 Description of segments

Management has determined the operating segments based on the reports reviewed by the Operational Business Review committee. The committee analyses the Group's activities by operating segments which are organised and managed separately according to the nature of the customers they service, with each segment offering different products and serving different markets. The committee reviews each of the operating segments down to contribution. The following summary describes the operations of each reportable segment.

SME Solutions provides business management software and services to small and medium enterprises. Practice Solutions provides business software and services to accounting professionals in practice. Enterprise Solutions provides enterprise resource planning and human resource management software and services to medium and large enterprises. Corporate provides shared services and research and development functions.

There are no significant transactions between segments.

5.2 Reporting Segments

| Half-year 2015 | | | | | |
|-------------------------------------------------------|----------------------------|---------------------------------|-----------------------------------|------------------------------------|-----------------|
| | SME Solutions \$'000 | Practice Solutions \$'000 | Enterprise Solutions \$'000 | Corporate (incl. R&D) \$'000 | Total \$'000 |
| (a) Revenue | | | | | |
| Segment revenue | 98,814 | 41,637 | 20,256 | 122 | 160,829 |
| (b) Other profit and loss disclosures | | | | | |
| Direct materials / Royalties / Reseller Commissions | 6,305 | 696 | 4,160 | - | 11,161 |
| Staff related expenses | 19,008 | 9,479 | 5,855 | 24,179 | 58,521 |
| Other operating expenses | 4,977 | 2,282 | 747 | 10,583 | 18,589 |
| Projects / other expenses | - | - | - | 5,083 | 5,083 |
| Contribution | 68,524 | 29,180 | 9,494 | (39,723) | 67,475 |
| Depreciation and amortisation | | | | | 34,269 |
| Offer related adjustments and other transaction costs | | | | | 19,978 |
| Finance costs | | | | | 111,599 |
| (Loss) before tax | | | | | (98,371) |
| (c) Revenue by Country | | | | | |
| | Aust \$'000 | NZ \$'000 | Total \$'000 | | |
| Segment revenue | 134,108 | 26,721 | 160,829 | | |
| (d) Non-current Assets by Country | | | | | |
| | Aust \$'000 | NZ \$'000 | Asia \$'000 | Total \$'000 | |
| Investments | 18,525 | - | - | 18,525 | |
| Property, plant and equipment | 12,353 | 2,134 | - | 14,487 | |
| Intangible assets | 1,140,956 | 81,601 | - | 1,222,557 | |
| Total | 1,171,834 | 83,735 | - | 1,255,569 | |

Non-Current assets are not reported by operating segments as they are integrated across the business rather than by segment.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2015

5 SEGMENT INFORMATION (continued)

Half-year 2014

| | SME Solutions \$'000 | Practice Solutions \$'000 | Enterprise Solutions \$'000 | Corporate (incl. R&D) \$'000 | Total \$'000 |
|-----------------------------------------------------|----------------------------|---------------------------------|-----------------------------------|------------------------------------|-----------------|
| (a) Revenue | | | | | |
| Segment revenue | 87,876 | 40,535 | 11,047 | 1,409 | 140,867 |
| (b) Other profit and loss disclosures | | | | | |
| Direct materials / Royalties / Reseller Commissions | 5,970 | 662 | 3,466 | - | 10,098 |
| Staff related expenses | 16,668 | 8,538 | 2,189 | 15,771 | 43,166 |
| Other operating expenses | 4,805 | 2,566 | 364 | 8,686 | 16,421 |
| Projects / other expenses | - | - | - | 15,756 | 15,756 |
| Contribution | 60,433 | 28,769 | 5,028 | (38,805) | 55,426 |
| Depreciation and amortisation | | | | | 34,730 |
| Finance costs | | | | | 62,689 |
| (Loss) before tax | | | | | (41,994) |

(c) Revenue by Country

| | Aust \$'000 | NZ \$'000 | Total \$'000 |
|-----------------|----------------|--------------|-----------------|
| Segment revenue | 119,986 | 20,881 | 140,867 |

(d) Non-current Assets by Country

| | Aust \$'000 | NZ \$'000 | Asia \$'000 | Total \$'000 |
|-------------------------------|------------------|---------------|----------------|------------------|
| Investments | 2,315 | - | - | 2,315 |
| Property, plant and equipment | 16,439 | 5,632 | 158 | 22,229 |
| Intangible assets | 1,159,789 | 91,319 | - | 1,251,108 |
| Total | 1,178,543 | 96,951 | 158 | 1,275,652 |

Non-Current assets are not reported by operating segments as they are integrated across the business rather than by segment.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2015

6 INTEREST BEARING LOANS AND BORROWINGS

CURRENT

| | 2015 June | | 2014 December |
|--------------------------------------|----------------------|-----------------|--------------------------|
| | \$'000 | | \$'000 |
| Maturity | | Maturity | |
| Secured bank loan (3) | - | 2014 | 25,000 |
| Redeemable preference shares (1) (2) | - | | 203,000 |
| Less: debt transaction costs | - | | (4,063) |
| | <u>-</u> | | <u>223,937</u> |

NON-CURRENT

| | 2015 June | | 2014 December |
|----------------------------------|----------------------|-----------------|--------------------------|
| | \$'000 | | \$'000 |
| Maturity | | Maturity | |
| Secured bank loan (3) | 2019 445,520 | 2017 | 619,476 |
| Redeemable preference shares (2) | - | | 136,194 |
| Loan notes (2) | - | 2018 | 227,675 |
| Subordinated Notes (2) | - | 2017 | 155,000 |
| Less: debt transaction costs | (2,033) | | (7,349) |
| | <u>443,487</u> | | <u>1,130,996</u> |

- (1) On 20 February 2015 the board of MYOB Group Limited approved a selective buyback of Redeemable preference shares to the value of \$203 million out of refinancing completed during the 2014 year. Based on that approval the year end December 2014 accounts reflected a current redeemable preference shares advance receivable and an offsetting current redeemable preference shares liability.
- (2) On 7 May 2015, redeemable preference shares, loan notes and subordinated notes were paid out as a result of MYOB Group's Initial Public Offering.
- (3) On 7 May 2015, the Group refinanced its corporate debt. The Group's refinanced facility is composed of a non-amortising term loan facility and a multi currency revolving loan facility that both mature on 7 May 2019.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2015

7 ISSUED CAPITAL

| | 2015 June \$'000 | 2014 December \$'000 |
|-------------------------------------------------------------|------------------------|----------------------------|
| (a) Issued and paid up capital | | |
| 584,421,899 Fully paid Ordinary shares (2014 - 354,770,807) | 1,128,837 | 330,928 |
| | <u>1,128,837</u> | <u>330,928</u> |

Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may return capital to shareholders, issue new shares or sell assets to reduce debt.

On 7 May 2015, at the completion of the Group's Initial Public Offering, 230 million additional shares were issued.

(b) Movement in shares on issue

| | 2015 June | | 2014 December | |
|-----------------------------------|-------------------------|------------------|-------------------------|----------------|
| | No. shares Thousands | \$'000 | No. shares Thousands | \$'000 |
| Beginning of the reporting period | 354,771 | 330,928 | 354,072 | 354,072 |
| - issued during the year | 229,651 | 828,205 | 822 | 822 |
| - share buy-back | - | - | (123) | (123) |
| - return of capital | - | - | - | (23,843) |
| - IPO listing costs | - | (30,296) | - | - |
| End of the reporting period | <u>584,422</u> | <u>1,128,837</u> | <u>354,771</u> | <u>330,928</u> |

(c) Performance Shares

21,286,246 Performance Shares were issued as part of the IPO on 7 May 2015. Performance Shares do not carry any voting rights or entitle the holder to any dividends or any returns, on a reduction of capital or upon winding up of the Company. The maximum number of Shares into which the Performance Shares may convert varies depending on the Share price on a relevant testing date (relevant testing dates being 30 September 2016 and 30 September 2017). The maximum number of Shares into which the Performance Shares may convert is 21,286,246 (which would occur if the Share price on the relevant testing date was at least \$5.30). As a comparison the number of Shares into which the Performance Shares may convert if the Share price on a relevant testing date was \$3.50, is 12,416,976 (assuming no changes to the capital structure between IPO and those relevant testing dates).

No Performance Shares were converted or cancelled in the period between the issue date 7 May 2015 and reporting date 30 June 2015. No milestone was met in the reporting period as the relevant testing dates are in 2016 and 2017 as stated above.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2015

8 BUSINESS COMBINATION

MYOB Finance NZ Limited, a wholly owned subsidiary of the Group, acquired 100% of the issued shares in ACE Payroll Plus Limited (APP), a New Zealand based SME payroll solution provider, on 31 May 2015 for AUD \$13.1 million (NZ \$14.0 million).

The consideration, net asset value and purchase price allocation are still preliminary and will be subject to change. The acquisition accounting will be finalised within 12 months of the acquisition date.

Details of the preliminary purchase consideration, the net assets acquired and goodwill are as follows:

| | \$'000 |
|------------------------------|----------------------|
| Purchase consideration | 13,142 |
| Total purchase consideration | <u><u>13,142</u></u> |

The assets and liabilities recognised as a result of the acquisition are as follows:

| | Fair value \$'000 |
|----------------------------|------------------------------|
| Cash and cash equivalents | 821 |
| Receivables / Prepayments | 80 |
| Provisions | (5) |
| Unearned revenue | (774) |
| Net deferred tax liability | (104) |
| | <u>18</u> |
| Add: Goodwill | <u>13,124</u> |
| | <u><u>13,142</u></u> |

(i) Transaction costs

Transaction costs of \$0.1 million have been expensed in the period in relation to business combination.

(ii) Revenue contribution

The acquired business contributed revenue of \$0.3 million to the Group for the period from 1 June 2015 to 30 June 2015.

If the acquisition had occurred on 1 January 2015, the contributed revenue for the full year ended 31 December 2015 would be \$3.0 million.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 30 JUNE 2015

9 CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets as at 30 June 2015.

From time to time, the Company is a party to litigation, claims and other contingencies which arise in the ordinary course of business. The Company discloses a contingent liability when it is possible that a loss has been incurred and the amount of loss is reasonably estimable in accordance with applicable accounting standards.

10 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no significant events since the balance sheet date.



Independent auditor's review report to the members of MYOB Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MYOB Group Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for MYOB Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MYOB Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MYOB Group Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of the PricewaterhouseCoopers firm, written in a cursive script.

PricewaterhouseCoopers

A handwritten signature of Chris Dodd, written in a cursive script.

Chris Dodd
Partner

Melbourne
26 August 2015